



**McGregor W. Scott**  
United States Attorney  
Eastern District of California

**NEWS RELEASE**

*Sacramento*  
501 I. Street, Ste 10-100  
Sacramento CA 95814  
Tel (916) 554-2700  
TTY (916) 554-2855

*Fresno*  
2500 Tulare St., Suite 4401  
Fresno, CA 93721  
Tel (559) 497-4000  
TTY (559) 497-4500

FOR IMMEDIATE RELEASE

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Contact: Patty Pontello, 916-554-2706

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**HENRY M. KAISER SENTENCED IN SUREWEST FRAUD**

SACRAMENTO: United States Attorney McGregor W. Scott, IRS Special Agent in Charge of Criminal Investigation Roger L. Wirth, and FBI Special Agent in Charge Drew Parenti announced today that HENRY M. KAISER, 62, of Piedmont, California, was ordered to serve a term of imprisonment of one year and one day for his role in a scheme to misappropriate \$25 million from SureWest Communications, a publicly traded company based in Roseville, California. The crime, which occurred in 2003, resulted in a \$2 million loss to SureWest. KAISER was also ordered to pay \$2 million in restitution and a \$25,000 fine. The sentence was handed down by United States District Judge Morrison C. England. KAISER's sentence was reduced to reflect his cooperation with the government in the course of the prosecution of his co-defendants, Jeffrey Wells and Larry Wells.

This case was investigated by the FBI and IRS Criminal Investigation with assistance from the U.S. Securities and Exchange Commission.

KAISER, the grandson of Henry J. Kaiser, the founder of Kaiser Industries, Kaiser Permanente and the Kaiser Foundation, pleaded guilty in April 2004 to interstate transportation of money obtained by fraud and conducting a monetary transaction in criminally derived property. His sentencing was deferred so that he could provide assistance to the government with respect to the prosecution of two co-defendants.

At the time he entered his guilty plea and in a sentencing memorandum filed last week, KAISER admitted that he and Larry J. Wells used their San Francisco based venture capital company, Quivira Ventures, and their relationship with a key SureWest employee, to divert the funds from SureWest. Jeffrey Wells, the son of Larry Wells, was a senior treasury analyst for SureWest Communications. In that capacity, Jeffrey Wells had access to large amounts of SureWest's funds. Beginning in January, 2003, Jeffrey Wells wire transferred SureWest funds to Quivira in amounts of up to \$25 million. KAISER admitted that at the time these transfers were made he and Larry Wells knew that Jeffrey Wells did not have authority to make such transfers, believed that Jeffrey Wells was the only SureWest employee who was aware of the transfers, and knew that there was no documentation memorializing any agreement between SureWest and Quivira Ventures regarding the money. KAISER also admitted that in order to cover up the scheme, Quivira would periodically return the misappropriated funds to SureWest so that

SureWest auditors would not discover that the funds were missing. However, Jeffrey Wells would typically return these funds to Quivira a short time later. After receiving the SureWest funds, KAISER and Larry Wells transferred the funds to various Quivira Ventures accounts, including accounts in Europe. The purpose of these transfers was so that Quivira could qualify for funding proposals which purported to give an 8 to 1 return. In fact, such high yield investment programs do not exist and are known by law enforcement authorities to be scams.

Nevertheless, in September, 2003, KAISER and Larry Wells gave instructions to Union Bank of Switzerland to transfer \$2,000,000 of those funds out of Quivira's control and into an account under the name of "Lybra" at Banca di Roma in Luxembourg. That money has not been recovered, but the Department of Justice was able to obtain an order freezing approximately \$700,000, all that remained in the account. After pleading guilty KAISER sold the family home which he had owned with his wife for 33 years and deposited the proceeds from that sale with the district court for payment of restitution. KAISER also resigned his positions as director of Kaiser Hospitals and Health Plans.

KAISER's co-defendants, Larry Wells and Jeffrey Wells, pled guilty in June and are scheduled to be sentenced before Judge England on October 10, 2006.

IRS Special Agent in Charge Roger L. Wirth said, "Corporate fraud is an emphasis area for the IRS and the country. IRS Criminal Investigation is proud to have provided our financial investigative expertise in this joint investigative effort which assisted in uncovering the truth about the misappropriation of corporate funds and deceptive fraudulent investment scheme engaged in by Mr. Kaiser and his associates."

FBI Special Agent in Charge Drew Parenti stated, "This is another instance of scandal affecting corporate America. This is a national problem which costs shareholders billions of dollars each year. The FBI is pleased to have interceded in this fraud before further financial damage was done to any other corporations."

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